

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY DACCA IMMEDIATE
INFO AMEMBASSY JAKARTA

S E C R E T STATE 246899

FOR AMBASSADOR MASTERS

E.O. 11652: GDS

TAGS: PDIP, ID

SUBJECT: PREPARATION FOR NOMINATION HEARINGS

REF: STATE 245517

1. EA/TIMBS ADDS CONGRATULATIONS ON YOUR PENDING APPOINTMENT.
2. US-INDONESIAN RELATIONS ARE GOOD, BUT WILL CONTINUE TO REQUIRE INTENSIVE AND CAREFUL MANAGEMENT BOTH IN WASHINGTON AND JAKARTA IF THE RELATIONSHIP IS TO BE MAINTAINED. THE MAJOR CHANGE OF REGIONAL ENVIRONMENT SINCE YOUR PREVIOUS SERVICE IN INDONESIA IS THE END OF THE WAR IN VIETNAM AND THE ESTABLISHMENT OF COMMUNIST STATES IN INDOCHINA. THE CONCERN BY THE NON-COMMUNIST SEA STATES THAT THEY COULD NO LONGER COUNT ON US SUPPORT AND WOULD FALL VICTIM TO

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DRASTICALLY INCREASED SUBVERSION OR OVERT AGGRESSION HAS BEEN CONSIDERABLY VITIATED. THESE CONCERNS ARE NOW MORE LINGERING AND DIRECTED TOWARD THE FUTURE THAN TO PRESENT POLICIES AND ACTIONS. NEVERTHELESS, REASSURANCE OVER A STABILIZING (BUT PRIMARILY ECONOMIC) AMERICAN PRESENCE IN SEA IS A MAJOR GOAL AS WE TRY TO PROCEED FROM RHETORICAL STATEMENTS TO CONCRETE ACTIONS. OUR SUPPORT FOR ASEAN IS IMPORTANT

AS REASSURANCE AND ASEAN HAS MATURED TO THE STAGE WHERE IT BRINGS SUBSTANTIAL POLITICAL BENEFITS TO ITS MEMBERS AS WELL AS MAKING PROGRESS AS AN ECONOMIC INSTITUTION.

3. IN THE SPECIFIC CASE OF INDONESIA, YOU HAVE ALREADY RECEIVED AMBASSADOR NEWSOM'S DEPARTING ASSESSMENT. THERE IS RECOGNITION AT HIGH USG LEVELS THAT INDONESIA IS ONE OF THE KEY EMERGING POWERS IN THE THIRD WORLD IN POLITICAL TERMS (INCLUDING ITS MODERATE VOICE IN INTERNATIONAL FORUMS) AND OF PARTICULAR IMPORTANCE TO THE US IN THE TRADITIONAL SENSE OF RAW MATERIALS ACCESS (PARTICULARLY OIL) AND INVESTMENT. WE HAVE A CONTINUED INTEREST IN INDONESIA'S SECURITY, BUT OUR ABILITIES TO ASSIST IS CONSTRAINED BY THE NEW ARMS CONTROL POLICY AS WELL AS THE END TO GRANT MAP. HUMAN RIGHTS ARE A MAJOR US-INDONESIA ISSUE AND POSE A PARTICULARLY DELICATE CHALLENGE IN APPLYING A COMBINATION OF PRESSURE AND ENCOURAGEMENT WHICH WILL CONTINUE TO INDUCE RATHER THAN FORESTALL FAVORABLE TRENDS.

4. A BRIEF INITIAL CHECKLIST OF ITEMS FOR YOUR CONSULTATIONS INCLUDE THE FOLLOWING:

I. ASIA - ADMINISTRATION POLICIES AND INITIATIVES ON CHINA AND INDOCHINA.

-- THE NEED FOR A CONTINUING US SECURITY PRESENCE IN ASIA
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AND SEA (PARTICULARLY PHILIPPINE BASES).

-- ASEAN (THIS CONCEPT HAS TAKEN ON SIGNIFICANT INCREASED VITALITY. THE FIRST US-ASEAN ECONOMIC DIALOGUE WAS HELD IN MANILA IN SEPTEMBER.)

-- APPLICABILITY OF US GLOBAL ECONOMIC POLICIES (COMMODITIES, COMMON FUND, MTN AND THE GSP EXCLUSION OF INDONESIA).

II. INDONESIA

-- THE CURRENT POWER STRUCTURE (MANY ARE YOUR OLD FRIENDS). PRESIDENTIAL ELECTIONS WILL BE HELD IN MARCH 1978. MAJOR CHANGES MAY FOLLOW IN CABINET AND OTHER HIGH-LEVEL POSITIONS.

-- MILITARY ASSISTANCE - GRANT MAP WILL END IN FY 78, FMS CREDIT SALES WILL CONTINUE; TERMS HAVE BEEN EASED. WE EXPECT GOI TO PURCHASE A CORE SQUADRON OF F-5S. AN M-16 CO-PRODUCTION AUTHORIZATION IS PENDING USG DECISION.

-- HUMAN RIGHTS AND EAST TIMOR - (BOB OAKLEY WILL TESTIFY

BEFORE THE FRASER COMMITTEE ON OCT 18)

-- FOREIGN AID - A MAJOR INCREASE IS UNDER REVIEW, BUT THERE ARE INTERNAL USG DIFFERENCES ON ITS FOCUS AND STAFF LEVELS. THE IGGI IS ALIVE AND WELL.

-- PL-480 - A LARGE AMOUNT HAS BEEN AUTHORIZED, BUT MAJOR DECISIONS ON THE SHAPE OF THE GLOBAL PROGRAM POSSIBLY AFFECTING INDONESIA ARE IN THE OFFING.

-- INVESTMENT - US INVESTMENT HAS STAGNATED DUE TO GLOBAL FACTORS, THE INDONESIAN BUSINESS CLIMATE, AND PENDING IRS DECISIONS. THIS IN TURN HAS HAD SOME IMPACT ON FUTURE PETROLEUM PRODUCTION. HOWEVER, A MAJOR LNG PROJECT IS
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PENDING FINAL US REGULATORY APPROVAL AND THERE IS A GOOD POSSIBILITY THAT IRS, THE GOI AND US OIL COMPANIES WILL REACH AN AGREEMENT ENABLING EXPLORATION TO RESUME.

-- THE INDONESIAN B/P IS SUPERFICIALLY STRONG WITH HIGH RESERVES, BUT A PROJECTED DOWNTURN WILL COINCIDE WITH A 22 PERCENT DEBT PROFILE IN 1980.

THIS PARTIAL LIST PROVIDES AN OUTLINE OF SUBJECTS ON WHICH WE WILL BE PREPARING BACKGROUND.

5. PLEASE ADVISE ANY ADMINISTRATIVE SERVICES WE CAN UNDERTAKE PENDING YOUR ARRIVAL. VANCE

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